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Agricultural Situation

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"Bert" Newell's Letter

TO CROP & LIVESTOCK REPORTERS

This letter is for the ladies, and I don't want any of you fellows reading your wife's mail. If you have gotten this far, quit right now and turn it over to your wife.

I HAVE A LOT OF REASONS for writing this to you ladies. We have a number of ladies who are crop reporters, and *good* ones; but mostly, you see, it's because my *second* daughter is getting married, and the ladies have been so thick around home I've just about reached the conclusion that men, particularly the father of the bride, don't count for much anyhow.

My wife, every now and then—mostly, I think, to keep my morale from dropping through the floor—asks my opinion about something or other. The first question to come up was about invitations and I said that I thought old English lettering would be kind of nice. "But," my wife said, "what color paper?" "Well," I replied, "white of course." Whoever heard of engraving an invitation on anything but white paper?

Then, to my amazement, I found there are several different kinds of white. There's *white* white, and *rose* white, and *creamy* white, and, oh well, we didn't order old English lettering or white paper either. But the paper still looks white to me.

After that, when something was said about dresses, I was really cautious; because I had discovered from listening around the edges that blue isn't *necessarily* blue. It might be called turquoise, or azure, or teal, or several other different things. But when it came to what the men would wear, I thought I was on sure ground. So I said we would wear tuxedos—and tuxedos are black. But oh no! They are now midnight blue! Be that as it may, my son doesn't have a tux; so he's renting a midnight blue. But I'll bet a dollar to a doughnut you can't tell the difference between my 1925 black model and his midnight blue.

Well, now, ladies, you understand all these kinds of terms and I just want to put in a little plug for us men. When you come right down to it, we have some pretty difficult "word" troubles too, not the least of which are some we use in this *reporting service* of ours. A term that causes us as much difficulty as any other is "parity."

You have all heard about *parity*, but I've been told there's hardly 1 in 50 who can tell you just what it is.

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Well, we compute *parity* prices for over 150 farm commodities; so, naturally, we run into a lot of special details. I could probably take all the pages in this issue of the *Agricultural Situation* to explain them and still not cover all the questions you could ask. The basic idea of parity, however, is pretty simple. The parity price of a commodity is simply a price which would give it the same buying power as it had in a *base* period—a period of past years, such as 1910–14, when it didn't take all the average farmer produced to pay for what he had to buy.

Thus, prices of things the farmer had to buy—*goods and services bought by farmers*—on March 15 averaged a little over 2.8 times their 1910–14 averages. For the farmer's wheat, or corn, or any other of his products to have the same purchasing power on March 15 as it did in 1910–14 its price would have to be correspondingly greater than its 1910–14 average. More specifically, wheat averaged 88.4 cents per bushel in 1910–14. Its parity price on March 15, 1954, was $2.49 per bushel—approximately 2.8 times the 1910–14 level. But the average price farmers were receiving for wheat on March 15 was $2.09, so wheat was well below its parity price.

"Well," you say, "that doesn't sound too complicated, but how do you get at these figures you quote so glibly?"

Well, that's a much longer story, but the nub of it comes in the collection of the prices that go to make up the computation, and that's where we and the price reporters come in for a real job. Briefly, the job consists of collecting two principal kinds of prices. First, there are the prices the farmer gets for the commodities he sells. There are nearly 200 commodities on which we collect these prices through our State statisticians' offices. Upward of 10,000 well-informed farmers, produce dealers at local shipping points, country mill and elevator operators, managers of local cooperative organizations, and country bankers make reports to us on farm commodity prices. They report regularly on the 15th of the month on the average prices being received in their local areas for the principal farm commodities being sold.

To compare with these prices of the things the farmer sells, we then collect prices on over 300 different items for which farmers have to pay, including interest and taxes paid on real estate, and wages paid to hired labor. Many thousands of storekeepers of all kinds cooperate with us by supplying information on the prices of these items. Their reports, just like yours, go into the State statisticians' offices where the prices are tabulated and averages computed for each item. Each of these two groups of prices—the prices farmers receive and the prices they pay—are then combined into what we call indexes, and it is the comparison of the index of *prices received* with that for *prices paid* that gives us the information as to how farmers are faring in the marketing of their crops and livestock. And it is from this source that we are able to compute the all-important *parity ratio.*

Now, ladies, I guess it will be all right if you let your husband read this letter after all. But I would appreciate it a lot if, in your shopping—when you find a storekeeper is cooperating as a price reporter, you will remember that he is helping you and me in our work. And you might want to tell him you appreciate the help he is giving.

Sometime I'll tell you how I came out with this wedding business. Right now I'm pretty much confused . . . trying to remember what I've been told I should do, and shouldn't do; and how I should walk down the aisle, and all of those things.

Sterling R. Newell, Chairman
Crop Reporting Board, AMS

In This Issue

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Does Your Dairy Herd Need More Culling?

IS "OLD BOSSY" worth her keep? With lower milk prices and continuing high costs, she may or may not pay her way.

The current upsurge in milk production which began in the late fall of 1952 has been due in part to more cows. And this increase in cow numbers in turn has been partly due to lower rates of culling of dairy animals. In 1952 and 1953, dairymen in the United States as a whole culled their herds at the rate of only 21 to 22 percent as compared with an average rate of 25 percent for 1945–50. This lower rate of culling, combined with a plentiful supply of dairy heifers, made possible the increase in cow numbers—reversing a downward trend which had been underway since 1945.

Since the fall of 1952 farmers have been producing more milk than consumers were willing to buy at prevailing prices. Yet production continues high and 1954 is likely to set a new record. Under these conditions it is logical to ask if dairy farmers might not be better off by culling their herds more heavily. Such an adjustment, if heavy enough, could reduce cow numbers and bring milk production closer in balance with market demand. And, aside from the price effects, it might also increase net incomes on some dairy farms by removing low-producing cows that are no longer profitable but which contribute to the surplus of dairy products.

Study Your Own Situation

Regardless of the overall merits of stepped-up culling, each dairy farmer before coming to a decision, needs to consider how *heavier-than-normal* culling would affect him in his own situation. The decision generally centers around certain individual cows that are producing milk at relatively low rates. There are at least three questions to think about:

1. Will it pay to remove cow X in favor of a higher-producing cow?

2. Will it pay to remove cow X from the herd without replacing her?

3. Assuming cow X is to be removed either now or next fall, which time is preferable?

The answer to question 1 is fairly easy. A large mass of evidence indicates that the replacement of a cow by a higher-producing cow will generally be profitable. More milk production will also result in that par-particular herd, and in the Nation as a whole if enough dairymen do the same. But in the short-run it is obviously impossible for all dairymen to do this.

The answer to question 2 is more involved and requires an analysis of probable receipts and expenses if the cow is to be removed from the herd rather than being kept for a certain period. Suppose for example that a specialized dairy farmer is considering culling a cow which on the basis of past records is likely to produce 6,000 pounds of 4.0 percent milk during the year. This is about average production for many of the dairy States; and at prices fairly typical of recent years, the cow's output would be worth around $270. If he disposes of the cow, his gross income would be reduced by this amount. On the other hand, some of the production expenses would be reduced or eliminated, but not all of them.

Under most conditions, and using recent prices, the reduction in expenses would be about as follows:

Grain (1.0 ton)	$80
Hay (2.5 tons)	63
Milk Hauling	12
Depreciation on Cow	15
Dairy Supplies and Services	15
Miscellaneous	15
Total Reduction	200

This assumes that hay and homegrown grain can be sold at going prices, but that silage and pasture cannot. No reduction in labor cost is allowed on the reasonable assumption that on a *specialized* dairy farm the labor freed in handling one cow is not likely to find other productive employment, at least in the short run. (This of course, might not be the case on a *diversified*

dairy farm.) Thus the result is a reduction in gross income of $270, a reduction in expenses of about $200, and a reduction in net income of around $70. In other words, the farmer would be somewhat better off financially by keeping the cow even though she is not a high producer. The advantage of keeping the cow would be lowered, of course if the farmer had a less favorable market for milk and received a lower price.

But suppose the cow in question is capable of producing only 4,000 pounds of milk during the year. Gross income from this cow would be about $180. Expenses would be somewhat less than for the 6,000-pound cow but not in proportion since the maintenance cost would be nearly the same. If this cow were removed from the herd, a total of perhaps $170–$180 in out-of-pocket expenses would be eliminated. To remove this low-capacity cow would leave the farmer with practically no change in net income as compared to $70 loss in the case of the 6,000-pound cow. This illustrates the fact that a point will be reached as we go down the production scale when a cow does not repay out-of-pocket expenses, and should be removed from the herd even with no replacement in sight.

The exact location of this culling point will depend in part on the feed supply, labor force, barn room and other particular circumstances of the individual farm.

For example, the farm that provides adequate pasture for a period of 5 to 6 months presents quite a different situation than does the more typical farm with only 2 to 3 months of good pasture.

Furthermore, the location of the culling point depends on price relationships. When milk is low in price relative to costs, as it is now, it does not pay to keep all cows that would have been profitable under more favorable prices. Cows that were just above the margin in 1953 are likely to be below it in 1954. The best way to find such cows is by the type of analysis indicated above, *as applied to the individual farm situation.* This is not difficult and can be done by any farmer who keeps records on milk production and feed used for individual cows in his herd or who can make estimates of these items.

Assuming the decision has been made to cull a certain cow, the question still remains of *when is the best time to do so.* Should she be removed now or kept through the pasture season until next fall?

This is a question that the individual farmers will have to answer for himself based on the extent of pasture feed and other conditions.

Milk prices are seasonally low during the pasture period; but, on the other hand, most farms have pasture feed that has no alternative use. If adequate pastures are available, milk production can be maintained at low cost with a low rate of grain feeding and with little hay. Also pertinent is the fact that prices for cull cows are generally lower by some 15 percent in the fall than in the spring. Here again all of these factors can be brought into focus and a meaningful answer can be arrived at by an analysis like that used above in answering question 2 but applied to the pasture period rather than the entire year.

M. S. Parsons
Agricultural Research Service

Outlook Highlights . . . MAY 1954

DESPITE some reduction in business activity, consumer incomes and expenditures for goods and services continued near record levels in the first quarter of this year. A small decline in income may occur the rest of the year but it is not expected to be sharp enough to affect significantly the demand for food.

Prices and incomes *to farmers* during the remainder of 1954 are likely to continue only slightly under 1953 levels. . . Impact of the new harvests and increasing hog production, later in the year, may cause prices to ease again but Government supports will continue to cushion the price effects of large supplies.

FARM PRODUCTION COSTS also may decline slightly. Some reduction in requirements for hired labor and possibly for fertilizers appears likely, in view of smaller plantings of such crops as cotton and potatoes. Prices of purchased feed and seed have been running lower than a year ago. But costs of most industrial commodities used by farmers continue high, also interest charges and property taxes.

FAIRLY STABLE PRICES FOR TOP GRADE STEERS and seasonal declines for

(*Continued on Page 6*)

Can We Drink Our Surplus Milk?

USDA Supports Nation-wide Effort to Increase Use of Dairy Products

THROUGH its "Plentiful Food" program and other special efforts, USDA is cooperating with the dairy industry in promotion of June Dairy Month. This is an effort to increase consumption of milk and other dairy products through normal channels of trade.

Typical of the special efforts being made is a program announced April 22 by the Secretary of Agriculture. Under this program part of the big surplus of nonfat dried milk solids held by the Commodity Credit Corporation will be sold, for a limited period, at reduced prices for use in mixed animal and poultry feeds. The stocks of dried milk were acquired by CCC in carrying out mandatory price support operations. As of April 14, the Corporation was holding more than 589 million pounds of dried milk in its inventories. "This is the fifth specific action since late March in the series of steps we are taking to improve the current dairy situation," Secretary Benson said in commenting on the sale program.

All segments of the dairy industry are helping in the June Dairy Month campaign by vigorously supporting and actively participating. Fluid-milk producers and distributors, buttermakers, distributors of dry milk, evaporated and condensed milk, cheesemakers, and ice cream manufacturers—all are increasing their advertising and merchandising activities to stimulate increased consumption and use of their products.

The USDA through a special merchandising program during June Dairy Month also is advising everyone of the benefits to be derived from using dairy products. The program is carried out through the cooperative efforts of the food trades and with the assistance of press, radio, television, and other information outlets.

Output Up; Consumption Down

During the first 3 months of 1954 our milk cows produced more milk than a year earlier. Despite a record level of per capita incomes of consumers, a record volume of nonfarm fluid milk and cream consumption, and a continued increase in population, the net increase in stocks of milk and milk products in the United States (Government and private stocks combined) is the largest in the history of our dairy industry. And, at the same time, civilian consumption of milk and milk products in the United States declined to a new low of 689 pounds per capita in 1953—from a record high of 821 pounds per capita in 1942.

During the first 3 months of 1954 milk output increased 1.3 billion pounds over a year earlier. With average weather and pasture conditions, milk production for this year may total 124 billion pounds. Production of milk in the United States has increased at a more rapid rate during the past 18 months than in any similar period of record.

Although the total volume of fluid milk and cream consumed in this country during 1953 was at a record level, the per capita consumption amounted to only 350 pounds—or less than a pint a person a day—as compared with 1945 when consumption was at the record high of 399 pounds per person. Butter consumption has dropped from 18 pounds per capita during the depression years of the early thirties to 8.6 pounds per capita in 1953.

While the per capita consumption of ice cream in 1953 was larger than any of the four previous years it did not reach the record level of 1946 when United States consumers ate an average of 5 pounds more than in 1953. Except 1944, consumption per capita of condensed and evaporated milk was at the lowest rate in 15 years.

American cheese consumption dropped from 5.3 pounds per person in 1952 to 4.7 pounds in 1953, while consumption of cheese other than American increased one-tenth of a pound from 1952 to 1953. Per capita consumption of nonfat dry milk dropped to 4.1 pounds in 1953, from a record 4.6 pounds in 1952, equaling the 1951 figure but exceeding any year prior to 1951.

In the face of future increases in the milk supply, can we in this country increase dairy consumption by drinking the surplus milk and eating larger quantities of milk products?

Consumer Education

If in the past year we had reached the same level of per capita consumption of fluid milk and cream as in 1945, we would have used 8 billion pounds more than was actually consumed. This would have been nearly two-thirds of all the Government purchases of dairy products in 1953. If the full dietary needs of our people were being met—3 to 4 cups of milk for children, 2 or more cups of milk a day for adults, 4 or more cups for expectant mothers, and 6 cups for nursing mothers—we actually would not have enough dairy products to meet the demand.

With the present educational emphasis on foods that supply protein, minerals, and vitamins along with calories, the milk industry as a whole is in a favored position. For, of all kinds of food none is more important than milk.

Our average individual consumption of milk is below the recommended dietary levels. Our consumption of nutritional dairy products has been higher in years when the per capita income of the Nation was less favorable for increased purchases of dairy foods. We *can* drink our surplus milk and increase consumption of dairy products by educational efforts directed toward the "underconsumers."

Dairy products are being featured in the list of plentiful foods prepared for the month of June by the Agricultural Marketing Service. This list is issued as a buying guide for consumers, as marketing information for distributors and processors, and as basic supply data for food advisers and food consultants. Supplemental information and photos of dairy products are also being prepared and distributed by USDA for the use of cooperating groups.

This is a program in which everyone can help to drink our surplus milk and increase the consumption of dairy products. The cooperation of the food trade associations, milk distributors, retailers, operators of restaurants and other food service establishments, school and institutional officials, and consumers can help make this program a success, improve the health and food habits of our people, and at the same time bring about a closer balance between the production and consumption of milk and milk products.

As Secretary of Agriculture Benson stated in a recent address before the Cache Valley Breeding Association, Logan, Utah: ". . . We have a product that is the most nearly perfect of all foods for children, young people, and adults. We have a tremendous potential market. Our job is to get out and sell this market. Let us advertise. Let us merchandise. Let us promote. The public must be vigorously educated to the value and necessity of dairy products."

Lance G. Hooks
Agricultural Marketing Service

Outlook Highlights

(*Continued from Page 4*)

most other classes of meat animals are in prospect for the second half of the year.

MILK AND DAIRY product prices, wholesale and retail, have declined and will be well below a year earlier the rest of 1954.

EGG PRICES last month averaged well below a year earlier and will continue below a year earlier the rest of 1954. Early hatch of chicks for layer replacement was largest this year on record. Broiler prices in April continued near the relatively low levels of late 1953. Heavy placement of chicks in broiler areas points to continued large broiler supplies through July.

A LARGER FEED GRAIN acreage than in 1953 and a near record carryover are in prospect for this year. Prices will likely be lower than a year earlier.

THE 1954 WHEAT CROP may be nearly a fourth smaller than the 1,169 million bushels produced in 1953, but with July 1 carryover expected to be over 850 million bushels, record supplies are in prospect for the 1954–55 marketing year.

CONSUMPTION OF COTTON by domestic mills this marketing year has been running below a year earlier. Exports also have been down slightly but are expected to increase during the remainder of the season.

WOOL PRICES probably will continue relatively stable over the next few months at levels about the same as, or slightly below, a year earlier.

TOBACCO REQUIREMENTS for cigarettes are not expected to differ much from last year. Number of cigarettes consumed may be a little lower, but more of the larger, "king" size are being used.

"Mr. Hog" Is Now In the Lead

Will He Stay Ahead?

NOT SO LONG AGO the hog traveled under the ingratiating title, "the Mortgage Lifter." Then, for several years, the cow and the steer proved the better income producers and the hog's popularity diminished. But the break in cattle prices in 1952–53 put the hog back into a more favorable price relation with cattle, as was pointed out in the September 1953 issue of the *Agricultural Situation*.

In early 1954, hog prices climbed to heights seldom achieved. By April barrows and gilts at Chicago were selling at $27 per hundred pounds. April prices had never before been this high. This price would pay for 17 to 18 bushels of corn. Usually, 100 pounds of hogs are worth the cost of only 12 bushels or so.

Every hog man knows that prices so high are almost always followed by a larger production . . . as more producers hold back gilts for breeding. And then, a little later on when the supply of hogs for slaughter increases, prices decline. This is the situation that appears to be ahead of us now.

How much will production increase? And how great will price declines be?

Hog production is definitely turning upward. Last December, farmers said they would hold 6 percent more sows for farrowing this spring than a year ago. Now it appears they have outperformed their intentions. When hog farmers in 6 States were surveyed in March, they reported they had already increased the number of early litters a great deal—by 39 percent. This figure isn't as spectacular as it sounds, for not so many litters are farrowed in those early months of December to February. But farmers said also that their total spring farrowings, from December through May, would be up 9 percent from last spring.

Fall Pig Crop To Be Larger

The uptrend in hog production will continue. The same farmers who reported their spring plans in March said they would have 5 percent more sows farrow summer pigs this year than last. Indications are that the increase in the total fall crop will be at least this large. Based on the above-average hog corn price ratio this spring, the fall increase may be around 10 percent. Furthermore, the spring pig crop in 1955 will doubtless show a further gain.

These increases start from a rather low level. The Nation's pig crop, which rose to 102 million pigs in 1951, fell to 82 million in 1953. As fewer pigs were raised, the number of hogs slaughtered decreased. Slaughter in January through March this year was 17 percent below last year. United States consumers, who ate 71 pounds of pork in 1951 and 72 pounds in 1952, consumed 63 pounds in 1953. In 1954 their average consumption may be only 59 or 60 pounds, the lowest since 1938.

If the supply of pork were to increase so much as to push consumption back to 70 pounds, prices of hogs would be reduced very markedly. This would be especially likely because the supply of beef will remain large. However, present increases in pork could not carry that high. We estimate that if the 1954 pig crops were to rise 7 percent and the 1955 spring crop by another 7 percent, pork consumption per person in 1955 would be 61 to 63 pounds. If each increase were to be 10 percent, consumption would be 63–65 pounds. These are moderate, not overlarge, increases for the year ahead.

They nevertheless are large enough to bring more than the usual seasonal reduction in prices for hogs. Any farmer will be disappointed who makes plans thinking he will sell hogs next fall or winter for the $23 to $27 prices received this winter and spring. On the other hand, it should be pointed out that the prospective increases are not large enough to force prices to greatly reduced levels.

In some years, hog prices rise to a summer high that lasts through August. The price trend will probably be different this year. By midsummer the pork supply is expected to be larger than last year. It will continue larger throughout the fall. Prices will respond to this change. They probably will start down earlier than usual and

their total fall decline will be greater than average. But because they commence at a relatively high point, prices may go down more than usual and yet remain fairly favorable to the farmer.

Overexpansion Possible in 1955

Looking farther ahead, the overexpansion mentioned earlier is more of a possibility in 1955 than this year. It is a *danger*, not a *certainty*. How much hog production expands may depend on something that cannot be foreseen yet—the size of the 1954 corn crop.

The size of the corn crop did not have much direct effect on hogs the last several years. Any farmer who had storage space could put as much of his corn as he wished under loan. Much corn was stored instead of being fed to hogs. But to seal his corn crop this year a farmer in the commercial corn area must have complied with acreage allotments. (A farmer outside that area need not comply but his loan rate is lower, being based on 67.5 percent of parity.) In March, a majority of farmers did not intend to comply with allotments. If they do not change their mind, only a small part of the 1954 corn crop will be eligible for loans at the full 90 percent rate. This means that most of the crop will not go under loan and that the size of the crop will have much to do with how many hogs are raised.

If the corn crop should be small, no great number of pigs will be raised. If the crop should be very large, providing a great lot of "free" corn not under loan, a sizable increase in hog production would result.

In summary, the present prices for hogs will not last long. The seasonal reduction this fall will be greater than usual. However, as the pork supply will climb back only part way, prices this fall and winter are not expected to drop especially low and may remain reasonably favorable to producers. A further increase in production and further decline in price are possible in 1955—but whether these happen may depend largely on the size of the 1954 corn crop, which cannot yet be foreseen.

Harold F. Breimyer
Agricultural Marketing Service

Brief Items

of Interest to Farmers

POTATO GROWERS, who have suffered from depressed prices as a result of overproduction in 1953, have been cautioned by Secretary Benson to adjust their 1954 production plans realistically if they are to avoid further trouble. The intentions-to-plant report shows some producing areas are proposing to plant too many late-crop potatoes, Benson pointed out.

ACREAGE OF HAY FOR HARVEST in 1954 is estimated at 75.8 million acres, 2.5 percent *larger* than in 1953 and slightly above the 1943–52 average. With average yields, it looks like about 105 million tons will be produced this year. Assuming a carryover of about 15 million tons on May 1, the total hay supply will be about the same as in 1953–54, both in total and per animal unit. Also, if the growing season is more nearly normal, hay supplies should be better distributed than in either of the past 2 years.

GEORGIA LED ALL OTHER STATES last year in broiler production—about 12 percent of the United States total. Arkansas was next with 8 percent. Delaware and Texas each produced 7 percent; Maryland and Virginia, 6 percent each; and North Carolina and California, 5 percent each.

WEATHER FORECAST this season, for farmers, will give more information than in previous years, and earlier. Weather Bureau's new program is designed to get information into farm homes earlier in the day . . . on radio broadcasts 6 to 8 a. m.

FERTILIZER USED IN THE UNITED STATES from mid '52 to mid '53, estimated at 23,143,000 tons, tops year earlier by 711,000 tons or 3.2 percent. Still using the most is the South Atlantic region. Consumption in the West North Central region increased 20 percent and Pacific region, 9 percent; but the use in New England and South Central regions dropped 5 to 7 percent, according to USDA's *Preliminary Report On Commercial Fertilizer Consumption.*

USDA-OWNED BUTTER is being offered, in carlots on a competitive bid basis, under a new USDA program to facilitate the use of U. S. produced butter or butterfat in *recombination* with United States produced nonfat dry milk solids . . . for sale as liquid milk in approved friendly countries. Buyers in this country will either export the butter or an equivalent quantity of United States produced *butterfat*, which is more desirable for *recombination* than the salty butter. The butterfat and dried milk will be recombined into fluid milk in the foreign country by mixing in correct proportions with water. The program will provide a means of encouraging the use of milk in various areas of the world where milk is in short supply and the shipment of whole milk would not be feasible.

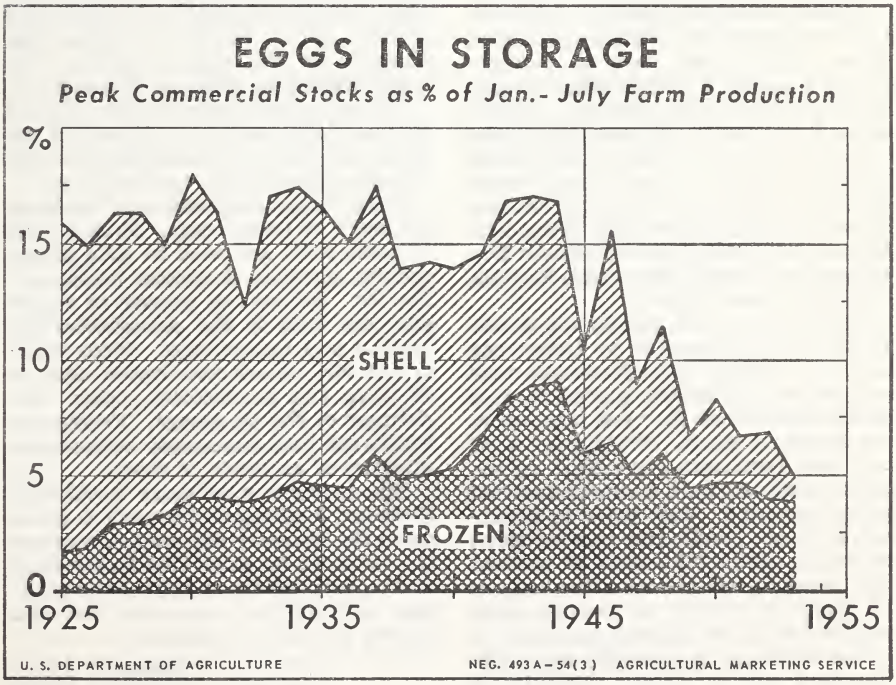
"Egg Breaking" Plays Big Role in Storing And Marketing

IN GRANDMOTHER'S DAY, back on the farm, she had so many eggs in the spring of the year, she didn't know what to do with them. Spring was the big laying season. Stores often had more than they could handle and, as a result, prices were down to almost nothing. In the winter it was the other way round; eggs were scarce, hardly an egg to be found with which to bake that Sunday cake.

Grandmother would take care of this situation by storing away a few dozen eggs each spring in earthen jars. Down in the cellar, she would pack them away in that spare crock, or maybe the old crockery churn—using dry salt, *water glass,* or whatever solution was found dependable in those days to delay the decaying process. This method of saving eggs was at best only a makeshift but it was the forerunner of one of our most important processing and distributing enterprises—the modern commercial activity commonly known as *egg breaking.*

Today, in this age of cold storage and frozen foods, the breaking of shell eggs and freezing the broken out eggs is the most important method of conserving and marketing surplus eggs during the months of high egg production, January through June. And this means that eggs are now sold to commercial users by the can or by the carton, as well as by the dozen. It also means that egg-breaking has become an important stabilizing factor in the marketing of eggs. Prior to 1942 the most important method of storing eggs was in the shell form.

It might be pointed out in passing that many farmers in recent years have learned new production wrinkles, so that they now have more fresh eggs for market during the fall and winter months than they used to have. Modern methods of breeding, hatching, feeding, and housing poultry have helped to make this possible. Electric lights in the laying houses also make



more feeding and laying time for the hens. As a result, surpluses of eggs during the spring months are relatively not as large as they used to be. January through June are still the months of plentiful eggs but the seasonal peak is lower.

Frozen (*broken-out*) eggs provide processors of other foods with a product which is uniform, compact and easily held without deterioration until used. Many users of these frozen eggs contract for a year's supply at the beginning of each year in order to be assured of having eggs that will give uniform results as to color, flavor, and texture in the products they manufacture throughout the year.

The table shows the changing position of storing shell and frozen (*broken-out*) eggs since 1940 (*see also chart on page 9*). Large storage stocks of shell and frozen eggs during the years 1942 through 1946 were due to war time requirements for dried eggs.

The production of frozen broken eggs during the postwar years 1948 through 1953 has been relatively stable. It has varied from about 324.4 million pounds in 1952 to 354.1 million pounds in 1950.

Approximately 85 percent of the annual production of frozen eggs is produced during the months January through June. The quantities of eggs frozen during these months represent about 8 percent of all eggs laid during the same period. Most of the plants producing broken frozen eggs are established in the surplus egg producing States of Illinois, Indiana, Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, and Texas.

Shell eggs of good quality are essential for the preparation of frozen egg products. To maintain freshness, shell eggs to be broken are placed in cold storage as soon as they are received at the breaking plant. Chilling of shell eggs also facilitates separating operations. Dirty eggs are washed and dried before breaking. Just prior to breaking, eggs are candled to remove those defective. High standards of sanitation must be maintained throughout all plant operations to prevent contamination of the broken-out egg.

The liquid egg is generally put up in 30-pound cans or cartons. Freezing is done as rapidly as possible in temperatures well below zero.

Peak Commercial Storage Stocks

(*Million cases*)

Year	Shell	Frozen
1940	6.7	4.1
1941	6.4	5.2
1942	8.0	7.6
1943	8.7	9.4
1944	8.9	10.4
1945	4.7	6.4
1946	9.7	6.9
1947	4.1	5.1
1948	5.6	6.0
1949	2.3	4.4
1950	3.7	5.0
1951	2.1	5.0
1952	3.1	4.3
1953	1.3	4.1

The principal frozen egg products are whole eggs (*broken but not separated*), egg albumen or whites, plain yolk, sugared yolk, salted yolk with glycerine added, and mixtures of whole egg with yolk. The use of salt, sugar, and glycerine, primarily in preparing frozen yolk, prevents gumminess, changes in the yolk structure that would otherwise occur in freezing.

Changing from home preparation to commercial preparation of many of the foods we eat is responsible for the growth of the frozen egg industry.

Baking establishments are the largest users of frozen eggs. Frozen eggs in some form are used in cake mixes, cookies, pastries, doughnut mixes, and doughs. Millions of pounds of frozen yolk are used in the manufacture of noodles and mayonnaise. Many makers of ice creams use frozen eggs to improve the smoothness, color, and richness of the ice cream. Frozen egg whites are used generously in the manufacture of all kinds of candy.

The frozen egg industry is efficient. However, continuous research is going on in the industry not only to improve the facilities for preparing frozen eggs, and to improve the quality of the products in which they are used but also to find new uses for them.

Robert F. Moore
Agricultural Marketing Service

How the New Tax "Charge-off" Aids the Farm Storage Program

FARMERS and grain storage warehousemen are being urged to plan for greater storage space for harvested grain crops. The need for additional facilities, particularly for storing wheat and corn, has been acute in recent years.

The Federal Government can be of assistance in a number of ways, as was pointed out in the March and April issues of the *Agricultural Situation*. Not long ago an incentive to the construction of new or improved facilities for storing grain was added to the Federal income tax law. It permits not only farmers, but operators of commercial and cooperative storage elevators as well, to receive special income tax treatment of these costs on their tax returns.

Eligible taxpayers may amortize (*or depreciate*) more rapidly than before the total costs of constructing new plants, increasing the capacity of present facilities, or of converting other buildings into storage space for grain. The statute is very inclusive and may apply to any corn crib, grain bin, grain elevator, or similar structure that is *intended* for use in receiving, elevating, conditioning, and loading out of grain. The costs may be prorated as expenses on Federal income tax returns over a period of 5 years (*60 months*) instead of 10 to 50 years as is the regular practice.

Although this provision is new as it relates to the storage of grain, it is not new in concept. Beginning in World War II, an incentive was given to various businesses to build certain types of war facilities by permitting rapid amortization of their costs. Farmers received no direct benefits. But now farmers, cooperatives, and grain storage companies are given an opportunity to choose rapid amortization for Federal income tax purposes if they desire it.

Some illustrations will indicate how the new provisions operate. We are writing them only in *general* terms, and many important refinements of the law are omitted due to limited space. The "useful lives" given are those found in Bulletin F issued by the *Internal Revenue Service*. They are "average" lives and are not required to be used by law or regulation in any given situation.

Land is not a depreciable asset under the Federal income tax, and must be excluded from the amount to be amortized or depreciated, either rapidly or otherwise. For example, if a new location is bought and storage facilities are built thereon, the land value itself cannot be amortized and must be separated from total costs in the schedule of depreciation.

How Rapid Amortization Works

Several types of grain storage facilities are subject to rapid amortization. Some of these are listed in the accompanying table. It will be noted that the average life varies from 10 to 50 years or more. Under the new provisions, however, the life of each may be estimated at 5 years (*or 60 months*) for tax purposes. The difference in the two columns called "amount depreciable annually" in the table gives an indication of the importance of rapid amortization.

A corn crib, for example, ordinarily is expected to remain useful for 30 years, which, if we assume a total cost of $10,000, is charged off as an expense at the rate of $333 per year. But under rapid amortization the $10,000 can be charged off in 5 years at the rate of $2,000 per year. The $10,000 cost used in the table, of course, is an arbitrary figure. If your crib costs only $3,000, you would charge off $600 a year, *$3,000 divided by 5*.

Depreciation of any kind must be taken annually. If a farmer doesn't claim depreciation in a particular year, he can't save the depreciation and charge it off in some future year. Hence there are limits to the value of depreciation provisions. But in profitable farm years, the right to claim

rapid amortization is valuable since it increases deductible expenses from relatively high incomes, taxed at relatively high rates. In some cases, charging off as much as one-fifth each year, provides a tax saving that with the other inducements will go a long way toward paying for the emergency structure. Proper care of the Nation's grain is of interest to the whole country just as timely—produced implements of war aid in our national security. Hence, this inducement to farmers.

It should be noted, however, that rapid amortization is not in addition to regular depreciation but is a substitute for it. The new provision does not increase the total amount that can be amortized; hence if the total cost is written off in 5 years, no depreciation may be claimed after that for the particular building. Tax rate changes in the future, therefore, will affect the long run savings to farmers and others from the use of rapid rather than regular amortization. This means that *each farmer will have to figure out what is the best thing to do in his own particular situation.*

The operation of the new provision may be illustrated further. If a farmer is operating on the calendar-year tax basis, and completes the grain storage facility in August, he may prorate, by months, the amount of depreciation claimed each tax year. Thus, if the total cost is $3,000, the taxpayer may claim depreciation of $50 per month for September, October, November, and December, or $200 for the period. In the succeeding tax years he may claim 12/60 of $3,000 or $600 per year until the total cost has been charged off.

The farmer is allowed to change from regular to rapid amortization by making the proper notation on his income tax returns. But if rapid amortization is decided upon, it may be commenced no sooner than the month following completion of the construction.

The deduction for amortization of grain storage facilities applies to any such construction or reconstruction that is completed after January 1, 1953, or between that date and December 31, 1956. A committee report on the bill indicated that the Congress may reconsider extension of the law if a "critical" state exists through 1956.

Tyler F. Haygood
Agricultural Research Service

Amortization of Grain Storage Properties . . . Assuming Each Costs $10,000

Some types of property	Regular provisions		Special provisions	
	Average useful life	Amount depreciable annually	Depreciable life permitted	Amount depreciable annually
	Years	*Dollars*	*Years*	*Dollars*
Corn Cribs, (Any Grain Storage Structure)	30	333	5	2,000
Concrete grain tanks	50	200	5	2,000
Metal grain tanks	25	400	5	2,000
Grain elevator and wagon dump	12	833	5	2,000
Grain elevator and machinery	18	556	5	2,000
Conveyors and elevators	15	667	5	2,000
Commercial grain elevators	40–67	.....	5	2,000

Moving More Farm Products to Our Neighbors Abroad

A SERIES OF SPECIAL EFFORTS to dispose of surplus farm commodities overseas is beginning to make progress. Sufficiently so, at least, that tangible results are already evident.

An example was the arrangement to use $20 million of Government-owned wheat as part payment for the construction of United States air bases in Spain. This arrangement—like others of its kind—was made in an effort to meet United States obligations abroad. But an important consequence of the measure was to provide an outlet for a sizable quantity of our surplus wheat. It is through such double-duty efforts as this that an increasing flow of surplus commodities is being moved overseas.

The largest of these special efforts is known as the "Section 550 Program," named after the provision of the Mutual Security Act which brought it into being. Under this program, the Foreign Operations Administration is authorized to purchase as much as $250 million of surplus United States agricultural commodities for sale to friendly countries for foreign currencies. The foreign currencies, in turn, are to be used by FOA abroad to contribute toward the development of a stronger mutual defense system and to further the economic development of friendly countries as prescribed under the act.

Special precautions are taken under the 550 Program to safeguard against substitution or displacement of usual marketings of the United States and friendly countries and to assure that commodities are sold for use over and above normal trade.

The largest transaction under the program to date involved $35 million of wheat to Japan. Wheat (*including flour*) for other countries so far has totaled $23.3 million.

Other commodity totals are (*value in million dollars*):

Tobacco	$36.8
Beef	17.3
Lard	12.0
Cotton	39.2
Cottonseed oil	14.7
Tallow	2.0
Fruit	10.0
Barley	8.8
Soybeans	2.9
Peanuts	1.4
Corn	.6

Total transactions authorized under the program to April 29 amounted to about $208 million. By June 30 of this year the total is expected to reach $240 to $250 million.

Countries involved in these actions, in addition to Japan are: United Kingdom, Western Germany, Formosa, Spain, Norway, Afghanistan, Belgium, Denmark, Egypt, Finland, France, Indochina, Israel, Yugoslavia, Italy, and the Netherlands.

Some Farm Supplies Sent Abroad Through Private Welfare Agencies

Another program stems from Section 416 of the Agricultural Act of 1949. This program authorizes the donation of Government-owned stocks which are in danger of loss through deterioration or spoilage. Such donations are available for various purposes and uses, including donation to private welfare organizations for the assistance of needy persons outside the United States. But they can be made only if the commodities involved cannot be disposed of in normal channels of trade without impairing the price-support program.

The quantities of commodities donated to private welfare agencies for overseas use, from the beginning of the program in 1950 through March of this year, are:

	Million pounds
Nonfat dry milk solids	227.2
Butter	83.5
Cheddar cheese	33.1
Dried whole eggs	37.4
Irish potatoes	23.8

Currently, only dairy products are being made available for donation under this program.

Export-Exchange and Other Programs

Public Law 85 (*81st Congress*) permits the Commodity Credit Corporation to exchange agricultural commodities acquired under the price-support program for foreign-produced strategic and critical materials needed for the national stockpile. Under this authority, CCC has entered into barter contracts with private United States firms which involved agricultural commodities valued at about $74 million. In addition, under its general authority, CCC has entered into barters involving the exchange of agricultural commodities valued at about $35 million for foreign-produced materials used in the foreign assistance programs of other Government agencies. All agricultural commodities acquired from CCC under the barter program are required to be exported.

The Famine Relief Program (*Public Law 216 of the 83d Congress*) expired in March of this year. But during its life 9,500 tons of wheat were shipped to Jordan, 72,000 tons to Bolivia, and 2,200 tons to Libya to meet famine or other urgent relief needs.

Public Law 77 (*83d Congress*) authorizes not to exceed 1 million tons of Government-owned wheat to alleviate mass suffering threatened by famine conditions in Pakistan. A total of about 680,000 tons has been made available under the program.

Section 513–b of the Mutual Security Act of 1951 authorizes the expenditure of up to $100 million for emergency

(*Continued on page 16*)

Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Agricultural Marketing Service. Average of reports covering the United States weighted according to relative importance of district and State]

Commodity	Average		April 15, 1953	March 15, 1954	April 15, 1954	Effective parity price Apr. 15, 1954 [2]
	Base period price [1]	January 1947–December 1949				
Basic commodities:						
Cotton, American upland (pound)—cents	[3] 12.4	31.05	31.45	31.05	31.57	35.09
Wheat (bushel)—dollars	[4] .884	2.09	2.08	2.09	2.06	2.50
Rice (cwt.)—do	1.94	5.18	6.91	5.18	5.02	5.49
Corn (bushel)—do	[4] .642	1.44	1.46	1.44	1.45	1.82
Peanuts (pound)—cents	[4] 4.8	11.1	11.1	11.1	11.2	13.6
Designated nonbasic commodities:						
Potatoes (bushel)—dollars	[5] .539	1.60	1.12	.532	.702	1.53
Butterfat in cream (pound)—cents	26.5	71.2	65.4	62.8	56.8	75.0
All milk, wholesale (100 lb.) [6]—dollars	1.68	4.42	4.11	4.03	[7] 3.67	4.75
Wool (pound)—cents	[5] 20.9	46.0	54.1	52.1	53.6	59.1
Other nonbasic commodities:						
Barley (bushel)—dollars	.484	1.37	1.30	1.14	1.10	1.37
Cottonseed (ton)—do	25.50	71.60	63.10	50.50	50.80	72.20
Flaxseed (bushel)—do	1.60	5.54	3.57	3.60	3.56	4.53
Oats (bushel)—do	.311	.852	.763	.781	.780	.880
Rye (bushel)—do	.605	1.82	1.49	1.14	1.07	1.71
Sorghum, grain (100 lb.)—do	[4] 1.21	2.53	2.52	2.40	2.43	[9] 2.56
Soybeans (bushel)—do	1.00	2.84	2.81	3.22	3.52	2.83
Sweetpotatoes (bushel)—do	.988	2.36	4.09	2.52	2.68	2.80
Beef cattle (100 lb.)—do	7.50	20.20	17.30	16.60	17.10	21.20
All chickens (pound)—cents	10.6	29.3	27.3	23.1	23.7	30.0
Eggs (dozen)—do	16.6	46.6	45.5	38.7	35.0	47.0
Hogs (100 lb.)—dollars	7.34	21.90	[10] 21.00	24.70	26.60	20.80
Lambs (100 lb.)—do	8.16	21.90	20.80	20.90	21.80	23.10
Calves (100 lb.)—do	8.28	22.60	[10] 19.30	17.90	18.10	23.40
Oranges, on tree (box)—do	[8] 2.29	1.23	1.34	1.18	1.67	[9] 3.10
Apples (bushel)—do	1.00	2.39	3.29	3.20	3.31	2.83
Hay, baled (ton)—do	[4] 11.87	22.40	23.60	23.10	22.80	[9] 25.20

[1] Adjusted base period prices 1910–14 used for computing parity prices. Based on 120-month average January 1944–December 1953 unless otherwise noted.

[2] Parity prices are computed under the provisions of title III, subtitle A, section 301 (a) of the Agricultural Adjustment Act of 1938 as amended by the Agricultural Acts of 1948 and 1949.

[3] 60-month average, August 1909–July 1914 for all cotton.

[4] 60-month average, August 1909–July 1914.

[5] Adjust base period price 1910–14 derived from 10-season average prices 1944–53.

[6] Prices received by farmers are estimates for the month.

[7] Preliminary.

[8] 10-season average 1919–28.

[9] Transitional parity, 75 percent of parity price computed under formula in use prior to Jan. 1, 1950.

[10] Revised.

Year and month	Industrial production (1947–49=100)[1]	Total personal income payments (1947–49=100)[2]	Average earnings of factory workers per worker (1910–14=100)	Wholesale prices of all commodities (1910–14=100)[3]	Index numbers of prices paid by farmers (1910–14=100)			Index numbers of prices received by farmers (1910–14=100)			
								Livestock and products			
					Commodities	Wage rates for hired farm labor[4]	Commodities, interest, taxes and wage rates	Dairy products	Poultry and eggs	Meat animals	All livestock
1910–14 average	----	----	100	100	100	100	100	100	100	100	100
1925–29 average	53	----	232	143	151	184	161	161	155	145	152
1935–39 average	54	40	199	118	124	121	125	119	110	117	116
1947–49 average	100	100	462	225	240	430	250	275	229	334	292
1950 average	112	112	518	232	246	425	256	249	186	340	280
1951 average	120	126	563	258	271	470	282	286	228	409	336
1952 average	124	133	592	251	273	503	287	302	206	353	306
1953 average	134	141	624	247	262	513	279	273	221	298	273
1953											
April	136	140	622	246	[5]263	508	280	263	219	299	270
May	137	141	624	247	264	----	280	256	218	317	277
June	136	142	624	246	260	----	277	255	213	300	267
July	137	142	622	249	261	514	279	261	223	319	280
August	136	142	625	248	262	----	279	265	229	305	276
September	133	142	623	249	259	----	277	275	230	299	276
October	132	142	625	248	258	515	276	282	234	273	266
November	129	142	624	247	259	----	277	288	224	267	263
December	126	141	627	247	260	----	278	282	218	285	269
1954											
January	125	140	[5]619	249	263	525	282	274	213	309	277
February	[5]124	140	[5]618	248	264	----	282	267	208	315	277
March	123	----	615	248	264	----	283	257	188	316	271
April	----	----	----	----	265	507	283	237	178	333	271

Year and month	Index numbers of prices received by farmers (1910–14=100)									Parity ratio[6]
	Crops								All crops and live stock	
	Food grains	Feed grains and hay	Tobacco	Cotton	Oil-bearing crops	Fruit	Commercial vegetables	All crops		
1910–14 average	100	100	100	100	100	100	----	100	100	100
1925–29 average	140	118	169	150	135	146	145	143	148	92
1935–39 average	94	96	172	87	113	91	107	98	108	86
1947–49 average	246	230	384	264	318	183	249	247	271	108
1950 average	224	193	402	282	276	194	211	233	258	101
1951 average	243	226	436	336	339	181	269	265	302	107
1952 average	244	234	432	310	296	191	274	267	288	100
1953 average	231	208	429	268	274	206	240	242	258	92
1953										
April	244	213	424	267	289	207	233	246	259	92
May	242	212	426	269	286	206	259	247	263	94
June	222	204	425	267	280	219	298	246	257	93
July	218	204	426	270	268	193	252	237	260	93
August	215	205	430	278	263	185	207	232	255	91
September	219	207	452	280	251	204	191	235	257	93
October	223	194	439	275	255	189	198	229	249	90
November	229	195	433	269	263	205	218	234	249	90
December	230	205	427	260	269	237	224	238	254	91
1954										
January	233	207	420	254	268	222	271	240	259	92
February	236	208	443	258	269	210	233	237	258	91
March	238	208	443	263	275	212	246	239	256	90
April	234	208	443	267	283	217	225	240	257	91

[1] Federal Reserve Board: represents output of mining and manufacturing; monthly data adjusted for seasonal variation.
[2] Computed from reports of the Department of Commerce; monthly data adjusted for seasonal variation.
[3] Bureau of Labor Statistics.
[4] Farm wage rates simple averages of quarterly data, seasonally adjusted.
[5] Revised.
[6] Ratio of index of prices received to index of prices paid, interest, taxes, and wage rates. This parity ratio will not necessarily be identical to a weighted average percent of parity for all farm products, largely because parity prices for some products are on a transitional basis.

. . . More Farm Products To Our Neighbors Abroad

(*Continued from page 14*)

purposes including the sending of food abroad. The East German Feeding Program was carried out under this authority. Approximately $15 million was spent for such items as wheat flour, vegetable oils, lard, dry beans, nonfat dry milk solids, evaporated milk, condensed milk, canned beef and raisins. Also carried out under this authority was the Christmas Package Program of last year. Under this operation, gifts were sent to less fortunate people in Western Germany, Spain, Italy, Austria, Greece, Israel, and Lebanon, and some 20 other countries in Europe and Latin America. This distribution covered a total of 60,607,000 pounds of food at a total cost of $11.8 million.

While special programs like those just described are working to make present farm surpluses less burdensome, other actions are aimed toward expanding foreign outlets for United States farm products on a long-range commercial basis.

President Eisenhower's proposal for a series of trade "missions" to Europe, Asia, and Latin America was translated into action in March. Thirty-four leading authorities on agricultural production and marketing were invited to participate. Their objective is—not to negotiate contracts or arrange sales of any kind—but to explore the possibilities of expanding exports of United States agricultural products and developing international trade. Departing from the United States in April, the three "missions" are expected to report back in May.

In addition, the Department of Agriculture—through its FAS (*The Foreign Agricultural Service*) is working more closely with agricultural trade groups on export problems than ever before. The Service is intensifying its reporting on foreign marketing information. It is making studies, country by country, to find and solve the problems that favor or hinder trade.

In these and other ways, effort is being made to expand the markets for United States farm products abroad. In such efforts as these, the Government does not attempt to serve as a sales agency. But it does offer its services to the trade groups which have the responsibility for marketing American farm products abroad.

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